LOAN POLICY AGAINST SHARES

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(1) **Eligibility**

The loan facility would be provided to the following category of clients namely:

a) Individuals including HNIs/ proprietors
b) Corporate
c) Registered partnership firms
d) HUF through its Karta

The company shall maintain leverage ratio (i.e. total Outside Liabilities/ Owned Funds.) of not more than 7 at all times, with effect from March 31, 2015.

Leverage ratio means the total Outside Liabilities/ Owned Funds.

"outside liabilities" means total liabilities as appearing on the liabilities side of the balance sheet excluding 'paid up capital' and 'reserves and surplus including all forms of debt and obligations having the characteristics of debt.

"owned fund" means paid up equity capital, including equity capital, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any

(2) **Locations**

This scheme will be available to all existing and prospective clients on PAN India basis.

(3) **Permissible Securities**

a) Clients would be given funding in securities as approved by Angel FinCap Pvt. Ltd. (AFPL).
b) This list will be subject to revisions made from time-to-time.
c) In case of securities being withdrawn from the permissible securities, clients would have to liquidate/replace/take deliveries of these securities. The Risk Management Team shall liquidate the securities to the extent of margin shortfalls in case necessary action is not initiated.

(4) **Margins**

a) Loan facility will be provided only to those clients who would be providing an initial margin in cash (cheque, DD, PO) or equivalent value of securities after appropriate haircut as specified in point 1(b).

b) **Margins (haircuts) at scrip level** will be levied on the securities purchased/accepted as collateral. The permitted securities will be segregated into four categories and accordingly differential margins will be levied. Margins levied would be in accordance with VaR margin as prescribed by exchange [VaR (value at risk) + ELM (Extreme loss margin)] or Angel prescribed margins whichever is higher. This will mitigate risk involved in liquidating securities with limited liquidity.

Scrip Category	Criteria for Scrip Selection
Blue Chip	• Market Cap & Net worth should be greater than equal to Rs. 5000 Cr and Rs. 2000 Cr respectively. Moreover, from Employee cost, Power cost & Tax, at least any 2 should be greater than equal to Rs. 50 Cr for last 2 years. • Scrip should be listed in F&O segment. • There is an exception in the rule for banking stocks that if it is listed in F&O market then Employee cost, Power cost and/or Tax may or may not be greater than Rs. 50 Cr.
Good	• Market Cap & Net worth should be greater than equal to Rs. 500 Cr. Moreover, from Employee cost, Power cost & Tax, at least any 2 should be greater than equal to Rs. 10 Cr for last 2 years. • Scrip satisfying Blue Chip criteria but not listed in F&O segment should be graded as Good. Bank stocks not listed in F&O segment should also be categorized as Good
Average	• Market Cap & Net worth should be greater than equal to Rs. 100 Cr. Moreover, from Employee cost, Power cost & Tax, at least any 2 should be greater than equal to Rs. 2 Cr for last 2 years.
Poor	• All scrip not falling in above mentioned criteria

(5) **<u>Margin Collection</u>**

a) All Margin cheques received PAN India shall be deposited in AFPL's designated bank account having at par facility.
b) Fresh exposures would be allowed on receipt and banking of the cheque.
c) Fresh exposure will be allowed on actual receipt of securities in the client's designated DP account in case of securities received as margins.
d) Any bank deposit/securities received from a third party account would not be accepted as margins and would be returned to the respective client's account
e) All margin cheques should be received from a bank account where the client is the sole /first holder.
f) Any Bank drafts received towards margins should carry a declaration from the client that it has been purchased from his own funds.

(6) **<u>Exposure Norms</u>**

a) Clients will be allowed to take exposure after ensuring availability of margins in the client's ledger subject to gross open positions.
b) The allowable exposure for the day will be calculated after considering previous day's positions. Clients would be restricted from taking fresh positions in case their allowable exposure is fully utilized.
c) Definition of values used in calculation of projected risk & margin shortage:

Projected Risk	(Ledger + holding) – (VaR + ELM considered for calculating projected risk on open positions) - Pure risk
Logical Ledger Balance	Loan ledger balance in books of AFPL (including unsettled trades plus outstanding interest)
Stock before haircut	Value of holdings before haircut
Value after hair cut	Net value of securities (after application of scrip-wise differential margins) purchased and/ or accepted as margin
Pure Risk	Logical ledger (Dr) > Stock before haircut
Margin Excess / Shortage	Value after hair-cut – Logical Ledger Balance If positive, client is in margin excess. If negative, client is in margin shortage.

Final VaR & Projected risk haircut

Scrip Name	**Case**	**Scrip Category**	**Exchange VaR**	**Angel VaR**	**Final VaR**	**Justification I**	**Projected VaR margin**	**Justification II**
ABC	I	Blue chip or Good	20%	-	50%	Exchange VaR or Angel VaR whichever is higher	15%	Projected VaR would be 50% of Final VaR
	II	Average	20%	40%	50%	Exchange VaR or Angel VaR whichever is higher	15%	Projected VaR would be flat (minimum) 50% of the holding value
	III	Poor	50%	100%	100%	Exchange VaR or Angel VaR whichever is higher	Flat 100% of holding value	Projected VaR would be flat 100% of the holding value

<u>The formula for calculating projected risk is as follows</u>:

= (Ledger + holding) – (VaR + ELM considered for calculating projected risk on open positions as shown in above table) – Pure risk.

(7) **<u>Risk Management:</u>**

<u>Client Level scrip exposure - value limits</u>

Scrip Category	**Restrictions at Scrip Level**

Blue Chip (A)	Exposure to A category scrip shall be restricted to 3 crores.
Good (B)	Exposure to B category scrip shall be restricted to 50 lacs.
Average (C)	Exposure to C category scrip shall be restricted to 20 lacs.
Poor (D)	No single scrip exposure shall be allowed in D category.

a) Any exposures taken in excess of the restrictions defined in the client wise limits will be monitored at the end of day. Clients would be given a five working days window to liquidate/ replace these securities.
b) These limits shall take into account cumulative exposure across both the loan against shares and margin funding facility provided to clients.

Organization Level Scrip Exposure-Value limit

a) Holdings of all clients in single scrip would be restricted upto a maximum of 4% of market capitalization,
b) Any exception to the above would require a specific approval from the Executive Director.

(8) **Exception Handling Authority:**

In order to provide certain flexibility to clients on a case-to-case basis depending on the merits of the loan proposal a distinct approval process has been put in place. Authority levels for handling exceptions are defined in the attached Annexure-1

(9) **Loan sanction process**

a) Prospective clients would submit the requisite loan application forms for the above loan facility.
b) All loan application forms would be scrutinized at "Loan Servicing Desk" at Mumbai which would put forth the proposal to the Credit Committee for approvals.
c) It would be mandatory for clients to open a bank account with a designated bank as specified by AFPL and DP account with Angel Broking Limited-DP in his/her/its name with a POA in favor of AFPL.

(10) **KYC Details, Credit Appraisals and Approvals**

a) KYC Information

The loan application form has been designed to capture all the relevant details as per the KYC norms laid down by RBI.

b) Documentation between AFPL and client

Clients would execute the following standard loan documents approved by the Legal Department of AFPL. A template containing the standard documentation process to be followed for execution of the documents would be circulated to branches.

- Loan Application Form along with the KYC details as per internal policy
- Master Loan Agreement
- Letter of Continuity
- Demand Promissory Note

- Power of Attorney by client in favor of AFPL for the designated Bank Account & DP account

c) Credit Appraisals

1. For ascertaining the creditworthiness of the client a copy of any of following documents would be collected along with the loan application form:-

   - Income Tax Returns or Net worth statement certified by CA
   - In case of salaried persons copy of Form 16
   - In case of corporate clients the last two years audited annual reports
   - DP Statement of the clients existing portfolio would be mandatory
   - Disclosure regarding sources of funds
   - Other investment proofs such as fixed deposit receipt, mutual fund policy, LIC policy, provident fund, national saving scheme (NSC), etc
   - Permanent Account Number would be mandatory information

2. The client's past track record in dealing with the designated broker and the value of the collaterals or cash provided as margins would form an important criterion for ascertaining the client's creditworthiness and sanctioning of limits.

3. Basis for sanctioning loans to clients:

   - The borrower has adequate assets in the balance-sheet to suggest that adequate cover will be available in line with the size of the loan being requested

   - The borrower has adequate income/ profits as per income tax return or financials to service the loan. In case of inadequacy of profits alternate source of servicing to be disclosed by the applicant and the same has to be verified during the credit appraisal

(11) Approving authorities for sanctioning the loan amount

Approving authorities are specified as follows for sanctioning the loan amount.

Sanction Limit Range	Recommended By	Approved By	Approved By	Approved By
Rs 0 to 15 Lakh	Manager and above	Assistant Vice President and above		
Above Rs 15 Lakh & Below Rs 50 Lakh	Manager and above	Assistant Vice President and above	Vice President and above	-
Above Rs 50 Lakh	Manager and above	Assistant Vice President and above	Vice President and above	Director

While sanctioning the loan facility to clients the approving authority would consider the following aspects:

KYC Completeness – The Branch executives and Business Associate would ensure that all the mandatory documents are received from client and all supporting documents have been verified with the original documents.

Credit Appraisal – The appraiser would ascertain credit worthiness and repayment capacity of the client by scrutinizing the financial statements, existing debts and income of the client. The appraiser would also ensure that documents submitted by the clients are adequate to sanction the loan.

Legal & Compliance – All legal documents are executed according to the legal requirements, are properly dated, duly notarized, necessary stamp duty and other charges are paid. In cases loans are sanctioned with some special terms and conditions whether necessary legal documents have been collected. For example in case the borrower's income is inadequate to sanction the loan – an individual/corporate can stand as guarantor for the borrower.

Risk Management – All mandatory documents, Income/profits mentioned in the financial statements are adequate to service the loan amount. Review the past track record of the client and number of years experience in capital market. All statutory rules and regulations are being complied with while sanctioning loan.

(12) **Tenor & Pricing**

a) The proposed revised structure would come into effect from 1st July, 2010 and would be reviewed on periodical basisas may be required.
b) Renewal of the said facility, if any, would be done with the client on mutual consent at terms and conditions applicable then.
c) Interest rate is market driven and changes, if any would be communicated to the client from time-to-time.

(13) **Execution of Transactions**

a) Clients would open a bank account with designated bank and a DP account with respective POA in favor of AFPL.
b) Clients would place orders with the designated brokers for buying & selling of securities.
c) On behalf of clients AFPL would accept all buy trades for both approved & unapproved scrips. The required funds would be transferred to the designated broker through client bank a/c on T+2 day. The designated broker would further make the necessary payments to the exchange for the purchase of securities.
d) Payout of securities shall normally be received on T + 2 day
e) In case of a sell order, AFPL on T day will give instructions to DP for release of shares to brokers Pool a/c and the DP will execute the instructions by T +1 day. The pay-in would be met to the extent the client is holding the shares with AFPL.
f) On release of securities the designated broker would transfer the sale proceeds to client's designated bank account on T +2 day, which in turn will be utilized to pay off the loans through transfer of monies to AFPL bank a/c.

(14) **Margin Calls:**

Type of Margin Call	Criteria	Course of Action
Collection Call	All margin shortage clients	Daily intimation via SMS to clients
Final Margin Call	(Ledger + holding) – (VAR + ELM considered for calculating Projected risk on open position) - Pure risk (Considering 50%)	Collection to be updated within 2 days
Liquidation Call	(Ledger + holding) – (VAR + ELM considered for calculating auto square off on open position) - Pure risk (Considering 30%) as shown below	Compulsory square Off will be done

(15) **Close out of Positions**

The client's securities may be liquidated in the following circumstances, namely;

- Failure to meet the margin call or when the client is in projected risk as defined above or
- Cheque deposited towards margin getting dishonored or
- Securities withdrawn from the approved list. In such case client would be given reasonable time as may be determined by AFPL to fulfill the margin requirement, failing which his positions would be squared off to bring him within the limits.

(16) **Interest Collection**

Interest shall accrue from the date of disbursement of the loan and shall be computed on the basis of 365 days in a year. The interest would be calculated on the daily closing balance outstanding in the account of the client Interest will be charged in client ledger account and recovered on a monthly basis or at such other interval as the Borrower may decide from time to time or on settlement of the account of the loan. The interest debit intimation would be sent to client.

(17) **Risk Management Reports:**

The Following MIS Reports would be circulated on periodic basis, a qualitative data on the MTF Portfolio indicating the client and scrip levels, client exposures depicting adequacy of their margins and concentration in their portfolios.

- **Client Level:**
  - **Details of clients with Margin Shortfall** – This daily report should give details of clients with Margin Shortfall along with additional information such as the additional margins required to regularize the account and the excess exposure availed.
  - **An overall Exposure report** – This daily report gives a complete client-wise listing indicating the client loan availed, the value of securities, the releasable cash/collateral available for release , the margin ratio & the amount of square off that needs to be done.
- **Scrip level:**
  - **Single Scrip concentration Report -** This report should give details of concentration in single scrip at client level, highlighting breach of exposure limit category-wise.

(18) **Renewal Loan:**

All sanctions provided to clients would be reviewed periodically. The renewal process would commence in advance so as to ensure that the facilities are either renewed/cancelled on or before the completion of a loan period.

The Board of Directors would separately authorize officials to sign and execute the loan documents with the clients by passing a separate resolution.

Annexure I

Nature of Exception	Documentary Evidence	Approving Authority
Sanction of Loan		
Allowing higher sanction amount based on the investible funds	Recommendation from the Regional Head/Branch Manager	Product Head / Credit Committee
Charging lower rate of interest to the client than the rate applicable to the client category	Recommendation by the Regional Manager/Branch Manager	Reduction up to 2% - Product Head Reduction by more than 2% - Executive Director
Margin Collection		
Not taking compliance action on cheque bouncing and allow the client to re-present the cheque(other than initial margin cheque) * *Not applicable in case of a cheque bouncing case happening twice for the same client.	Request by the Regional Managers/Branch Manager specifying the client background	Product Head / Risk Head

CREDIT APPRAISAL SHEET

Branch Code/Sub-Broker Tag	
Branch Name	
Date	
Type	New Client/Enhancement/Renewal

Particulars of Client

Client Code	
Client Name	
PAN	
Occupation	
Date of Birth	
Age (In years)	
Credit Rating	
Investing in Market Since (In Months)	
Advisor to the Applicant	
Annual Income Range	
Networth	
Risk Type	

Computation of Permissible Demand Loan Limit

Bank Deposits (A)		
Investment in Securities (B)		
Others (C)		
Annual Income		
Annual Income available for Investment (D)		
Borrowings (E)		
Investible Funds [(A)+(B)+(C)+(D)-(E)]		
Permissible Loan Limit ***		
Recommended Interest Rate		
Recommendation by Branch Manager/Regional Head		
Recommendation for Sanction		
Justification, If any		

*** Multiplier upon investible funds shall be based upon client's profiling & risk gradation

